

**DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY**

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August 12, 2010

Paul Robins, Executive Director  
Monterey County Resource Conservation District  
744 La Guardia St, Bldg A  
Salinas, CA 93905

RE: FINAL AUDIT REPORT – FARM AND RANCH CLEANUP GRANT (FR21-04-0009)

Dear Mr. Robins:

Enclosed is the final report on the audit of Monterey County Resource Conservation District (District), regarding the Farm and Ranch Cleanup Grant. The audit included a review of receipts, expenditures, internal controls, and compliance with the grant agreement provisions. The period of review for this audit was June 1, 2005 through May 10, 2007.

The audit disclosed the following finding:

- Overbudgeted Cleanup Costs

The response by the District to the draft audit report on August 2, 2010, along with the evaluation of the response is included in this final report. The response included adequate documentation to validate the District's contention to allow the cleanup costs questioned.

(Over)



Paul Robins  
August 12, 2010  
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Please contact Linh Johnson, Auditor, at (916) 341-6102 or  
linh.johnson@calrecycle.ca.gov with any questions regarding this report.

Sincerely,



Susan Villa, Chief  
Fiscal Services Branch  
Administration and Finance Division

Enclosure

cc: Tom Estes, Deputy Director, Administration and Finance Division, CalRecycle  
Scott Walker, Branch Manager, Cleanup Branch, CalRecycle  
Brian Kono, Manager, Audits and Evaluations, CalRecycle  
Linh Johnson, Auditor, Audits and Evaluations, CalRecycle



**Monterey County Resource Conservation District**

**Farm and Ranch Cleanup Branch**

**Final Audit Report**

**Grants: FR21-04-0009**

**For the Period June 1, 2005  
Through May 10, 2007**

**Prepared By:  
California Department of Resources Recycling and Recovery  
Audits and Evaluations**

**August 2010**

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**ATTACHMENT – GRANTEE’S RESPONSE TO DRAFT AUDIT REPORT**



## **FINAL AUDIT REPORT**

### **Monterey County Resource Conservation District Farm and Ranch Cleanup Grant**

#### **SUMMARY**

The Department of Resources Recycling and Recovery (CalRecycle), Audits and Evaluations, performed an audit of Monterey County Resource Conservation District regarding the Farm and Ranch Cleanup Grant. The audit included a review of internal controls, receipts, expenditures, and compliance with the provisions relating to grant agreement numbers FR21-04-0009, for the period June 1, 2005 through May 10, 2007.

#### **BACKGROUND**

Monterey County Resource Conservation District (District) is guided by a Board of Directors who are appointed by the County Board of Supervisors to serve voluntarily and represent a broad spectrum of experience land conservancy management. The District was established in 1942 as a non-regulatory special local district, authorized under Division 9 of the California Public Resources Code. The District's mission is to conserve and improve California's natural resources, integrating the demand for environmental quality with the needs of agriculture and urban users.

The Farm and Ranch (FR) Solid Waste Cleanup and Abatement Account was created in the General Fund upon appropriation by the Legislature in the annual Budget Act (Public Resources Code Section 48100). Notwithstanding any other provision of law, the FR Solid Waste Cleanup and Abatement Grant Program shall be funded from The Integrated Waste Management Fund, The California Tire Recycling Management Fund, and The California Used Oil Recycling Fund. The FR Grant Program provides funding to cities, counties, Resource Conservation Districts, and Native American tribes for the cleanup of illegal solid waste sites on farm or ranch property.

#### **OBJECTIVE, SCOPE, AND METHODOLOGY**

The audit objective was to verify whether the program related costs, reimbursed by CalRecycle to the District, were reasonable, allowable, and allocable in accordance with the fiscal requirements and other provisions of the grant agreements as well as applicable Federal and State regulations.

The audit scope included, but was not limited to, a review and evaluation of the adequacy and accuracy of the documents submitted to CalRecycle by the District in support of the claim for eligibility.

The audit was conducted in accordance with *Government Auditing Standards*. The standards require that the audit was planned and performed to obtain sufficient and appropriate evidence to provide a reasonable basis for the finding(s), if any, and conclusion based on the audit objective.

## CONCLUSION

The audit disclosed an instance of noncompliance with the requirements outlined above. These instances are described in the Finding and Recommendation section of this report.

## RESTRICTED USE

This report is intended for the information and use of CalRecycle and District management. However, this report is a matter of public record and distribution is not limited.



## STATEMENT OF REVENUE AND EXPENDITURES

**Monterey County Resource Conservation District  
Farm and Ranch Cleanup Grant FR21-04-0009  
For the Period June 1, 2005 through May 10, 2007**

	<u>Claimed</u>	<u>Audited</u>	<u>Questioned</u>
<b>Revenue:</b>			
Grant Payment			
Request #2	\$62,265.00	\$62,265.00	\$0
Less: 10%	6,227.00	6,227.00	0
<b>Total Revenue</b>	<u>\$56,038.00</u>	<u>\$56,038.00</u>	<u>\$0</u>
<b>Expenditures:</b>			
Disposal/Recycling	\$1,400.00	\$1,400.00	\$0
Materials	3,504.00	3,504.00	0
Equipment/Personnel	55,123.00	55,123.00	0
Administrative	2,238.00	2,238.00	0
Less: 10%	6,227.00	6,227.00	0
<b>Total Expenditures</b>	<u>\$56,038.00</u>	<u>\$56,038.00</u>	<u>\$0</u>

## FINDING AND RECOMMENDATION

### **Finding – Overbudgeted Cleanup Costs**

The District exceeded the budget for the cleanup cost of Site #7 (Hamby). The Itemized Tracking for Invoice No. 2 document submitted shows the following costs:

<u>Task</u>	<u>Costs Invoiced</u>	<u>Budget</u>	<u>Overstatement</u>
Disposal	\$ 1,361	\$ 827	\$ 534
Materials	656	500	156
Equipment	36,200	29,700	6,500
Total	<u>\$38,217</u>	<u>\$31,207</u>	<u>\$ 7,190</u>

Grant Agreement Number FR21-04-0009, Exhibit A, Terms and Conditions, Section 38(b), states in part that, "The Grantee shall carry out the work described on the Work Plan in accordance with the Budget, and shall obtain the Grant Manager's written approval of any changes or modifications to the Work Plan or Budget prior to performing the changed work or incurring the changed cost."

Exhibit B, Procedures and Requirements, under the Eligible Expenditures section, states in part that, "All requests and revisions to the Work Plan or Budget must be pre-approved in writing by the CalRecycle Grant Manager."

As a result, \$7,190 in overbudgeted cleanup costs has been questioned.

### Recommendation

The District should ensure that a written approval is obtained from the Grant Manager for any changes or modifications to the Budget prior to incurring the changed cost.

In addition, the district should remit \$7,190 in overbudgeted cleanup costs to the Department of Resources Recycling and Recovery.

### Grantee's Response

The District provided a copy of the November 29, 2006 progress invoice #2 which stated under Equipment and Personnel Category Deviation ~ Contractor Standards, "At all sites apparent over and under expenditures between Equipment and Personnel budgets are in part accounted for based on invoice and billing differences between contractors. Few contractors bill separately for Personnel (equipment operators) and Equipment. It is typical that a contractor

will bill for Equipment and Operator at a standard rate. These Equipment and Operator charges may appear, again depending on the contractor, in either the Equipment category or the Personnel category. You will note that the over/under expenditure for Equipment at Sites 6 and 7 is approximately equal to the over/under expenditure for Personnel, due largely to differences in contractor billing.”

The District indicated that the CalRecycle Grant Manager, Carla Repucci, considers disposal and recycling costs as a lump sum under the disposal task within the budget. The Grant Management System (GMS) database does not split the tasks into separate Disposal and Recycling categories. Therefore, by combining the Disposal and Recycling categories within the budget, the District's claim for disposal is under budget.

#### CalRecycle's Comment

The auditor concurs with the District regarding the customary practice of a contractor to provide a bid/invoice for a job at a standard rate rather than itemizing costs for personnel and equipment. Therefore, when considering the budget, the Equipment and Personnel categories should be summed together. The combined budget for Equipment and Personnel would total \$45,245.04 rather than \$29,700 for Site #7 (Hambey). The District claimed \$36,200 in Equipment/Personnel costs, which is below the budget of \$45,245.

Furthermore, the combined budget for Disposal and Recycling would total \$1,526.50 rather than \$827 for Site #7 (Hambey). The District claimed \$1,361.00 in disposal costs, which is below the budget of \$1,526. As a result, this finding has been resolved.

